

"(B) SUBSTITUTION OF DEBT INSTRUMENTS;
REDUCTION
OF OVER-COLLATERALIZATION.—Paragraph (2)(B)
shall not
apply to—

"(i) the substitution of a debt
instrument described
in subsection (c)(1)(B) for another debt
instrument

which is a permitted asset, or

"(ii) the distribution of a debt
instrument con-
tributed by the holder of the ownership
interest to

such holder in order to reduce over-
collateralization
of the FASIT.

but only if a principal purpose of acquiring
the debt
instrument which is disposed of was not the
recognition

of gain (or the reduction of a loss) as a result
of an increase
in the market value of the debt instrument
after its acquisition
by the FASIT.

"(C) LIQUIDATION OF CLASS OF REGULAR
INTERESTS.—

Paragraph (2)(B) shall not apply to the
complete liquidation
of any class of regular interests.

"(4) NET INCOME.—For purposes of this
subsection, net
income shall be determined in
accordance with section
860F(a)(3).

"(f) COORDINATION WITH OTHER PROVISIONS.—TM

"(1) WASH SALES RULES.—Rules similar to the
rules of
section 860F(d) shall apply to the ownership
interest in a
FASIT.

"(2) SECTION 475.—Except as provided by the
Secretary
by regulations, if any security which is sold or
contributed
to a FASIT by the holder of the ownership
interest in such
FASIT was required to be marked-to-market
under section
475 by such holder, section 475 shall continue
to apply to
such security: except that in applying section 475
while such
security is held by the FASIT, the fair market
value of such
security for purposes of section 475 shall not
be less than
its value under section 860I(d).

"(g) RELATED PERSON.—For purposes of this part, a
person
(hereinafter in this subsection referred to as the
related person)
is related to any person if—

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oses of paragraph (1) in applying section
267(b) or
707(b)(D), 20 percent shall be substituted for 50
percent.
"(h) REGULATIONS.—The Secretary shall prescribe such
regula-
tions as may be necessary or appropriate to carry
out the purposes
of this part, including regulations to prevent the
abuse of the
purposes of this part through transactions which are
not primarily
related to securitization of debt instruments by a
FAST."
(b) TECHNICAL AMENDMENTS.—
(1) Paragraph (2) of section 26(b) is amended
by
striking
"and" at the end of subparagraph (M), by
striking the period
at the end of subparagraph (N) and inserting
". and"
by adding at the end the following new
subparagraph:
"(O) section 860K (relating to treatment
of transfers
of high-yield interests to disqualified holders).".